

PUBLIC DISCLOSURE

SEPTEMBER 6, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

NORTH MIDDLESEX SAVINGS BANK

CERT #90147

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NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") and the Federal Deposit Insurance Corporation ("FDIC") to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **North Middlesex Savings Bank ("NMSB" or the "Bank")** prepared by the Division and the FDIC, the institution's supervisory agencies, as of **September 6, 2011**. The agencies evaluate performance in the assessment area as defined by the institution, rather than individual branches. This evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division and FDIC rate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and Part 345 of the FDIC's Rules and Regulations.

INSTITUTION'S CRA RATING: This institution is rated "**High Satisfactory**" by the Division and "**Satisfactory**" by the FDIC. Note: The FDIC's CRA regulation does not have separate categories within the Satisfactory rating, whereas the Division's CRA regulation allows for either a High Satisfactory or a Satisfactory rating.

An institution in this group has a good record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Lending Test:

The institution is rated "**Outstanding**" under the Lending Test. This rating is supported by the following summary of results.

Loan-to-Deposit Ratio

The loan-to-deposit ("LTD") ratio is reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and assessment area credit needs. The Bank's average net LTD ratio over the 14 quarters since the prior FDIC CRA evaluation dated January 16, 2008, was 82.9 percent.

Assessment Area Concentration

A majority of the Bank's home mortgage and small business loans, by number, were within its designated assessment area. During 2009 and 2010, 68.2 percent of the number of home mortgage loans, and 66.2 percent of the number of small business loans were granted inside the assessment area.

Geographic Distribution

The Bank's geographic distribution of loans reflects excellent dispersion throughout the assessment area. The Bank's concentration of home mortgage loans in the area's moderate-income geography exceeded the aggregate market in 2009. NMSB originated a similar percentage of loans in this geography in 2010. The Bank made a reasonable number and percentage of loans to small businesses within the area's moderate-income census tract during the review period.

Borrower Characteristics

The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels (including low- and moderate-income), and businesses of different sizes. The Bank exceeded the aggregate market in percentage of home mortgage loans to low- and moderate-income borrowers. The Bank responded to small business financing needs by making an excellent number of loans to the assessment area's small businesses.

Response to Complaints

NMSB did not receive any CRA-related complaints during the period reviewed.

Community Development Test

The institution is rated “**High Satisfactory**” by the Division, and “**Satisfactory**” by the FDIC under the Community Development Test. The FDIC’s rating matrix for this test does not include a “High Satisfactory.” Therefore, a rating of “Satisfactory” is assigned by the FDIC.

The institution’s community development performance demonstrates good responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the institution’s capacity and the need and availability of such opportunities for community development in the institution’s assessment area. This rating is supported by the following factors.

Community Development Loans

The Bank’s community development lending activity is good. The Bank made eight qualified community development loans totaling \$5.1 million during the evaluation period. A notable loan was a 42-unit affordable housing development construction loan originated with the enhancement of the United States Department of Agricultural Rural Development (USDA) 90% guaranteed loan program. The Bank obtained the USDA lender certification in order to complete the loan origination. According to the USDA, the purpose of the guaranteed loan program is achieved by bolstering the existing private credit structure through the guarantee of quality loans that will provide lasting community benefits.

Community Development Investments

The level and complexity of the Bank’s qualified investments are adequate. Two new investments totaling \$500,000 were provided during the review period. The Bank purchased two \$250,000 investments in a fund on behalf of low- and moderate-income residents of nursing homes, providing resources to support the vulnerable residents from theft, abuse, or any other form of crime. In addition, the Bank made several qualified donations to non-profit organizations that primarily serve low- and moderate-income individuals.

Community Development Services

The Bank is adequately involved in various community development organizations and has participated in several financial education initiatives. Additionally, the Bank offers specific services designed to promote affordable housing assistance.

SCOPE OF EXAMINATION

This evaluation assesses North Middlesex Savings Bank's CRA performance utilizing the Interagency Intermediate Small Institution (ISI) Examination Procedures, as established by the Federal Financial Institutions Examination Council (FFIEC). These procedures require two performance tests: the Lending Test and the Community Development Test. The Lending Test is an analysis of the distribution of loans, and the Community Development Test is an evaluation of community development activities from January 16, 2008 through September 6, 2011.

The Lending Test considered the Bank's home mortgage and small business lending. According to Bank management, the Bank focused on both product types during the review period. NMSB's loan portfolio concentration, as reported in its most recent Report of Condition and Income (Call Report) dated March 31, 2011, reflects similar percentages compared to the Bank's total loan portfolio for each product. Finally, origination activity for both products during the review period was comparable. Based on this information, the Bank's performance in home mortgage lending and small business lending is weighted equally.

Data reviewed includes originated home mortgage loans reported on the Bank's Home Mortgage Disclosure Act ("HMDA") Loan Application Registers ("LARs") for full years 2009 and 2010, as well as the first six months of 2011. The LARs contain data about home purchase and home improvement loans, including refinancings, for one-to-four family and multifamily (five or more units) properties. The institution reported 233 loans totaling \$48.7 million in 2009; 239 loans totaling \$48.9 million in 2010; and 69 loans totaling \$12.4 million in the first six months of 2011. The Bank's 2009, home mortgage lending performance was compared against 2009 aggregate lending data. Aggregate data includes all financial institutions subject to HMDA that originated at least one home mortgage loan in the Bank's assessment area. The evaluation focused on the Bank's lending performance in 2009, as aggregate data for 2010 or 2011 was not yet available.

Small business loans were also reviewed during the evaluation for the same time period. As an ISI, the Bank has the option of collecting and reporting small business lending data. The Bank opted to collect the data, but elected not to report it. The Bank's internal records indicated that the institution originated 256 small business loans totaling \$22.5 million in 2009; 204 small business loans totaling \$19.9 million in 2010; and 128 small business loans totaling \$15.9 million in the first six months of 2011. As the Bank is not required to report small business loan data, small business aggregate data was not used for formal comparison purposes. Instead, business demographics of the assessment area were used as a means of measuring the Bank's performance.

The Bank does not make small farm loans and has only a nominal level of consumer lending activity; thus, these product lines are not included in the analyses.

Although the total dollar amounts of loans are discussed under the Lending Test, this evaluation is primarily based on the Bank's lending performance by the number of loans originated or purchased during the evaluation period.

The previous CRA evaluation by the Division and the FDIC was conducted as of January 16, 2008, using ISI Examination Procedures. The evaluation resulted in an overall "High Satisfactory" CRA rating by the Division, and "Satisfactory" rating by the FDIC.

PERFORMANCE CONTEXT

Description of Institution

North Middlesex Savings Bank is a state-chartered bank incorporated in 1885 in Ayer, Massachusetts. The Bank's main office is located at 7 Main Street in Ayer. NMSB reported total assets of \$334 million as of June 30, 2011.

In addition to its main office, the Bank operates six full service branches located in Devens, Groton, Littleton, Lunenburg, Pepperell, and Shirley. Each branch office offers 24-hour, automated teller machines (ATMs). The Bank operates two additional 24-hour ATMs in Ayer and Harvard. The Bank's main office and its Littleton and Lunenburg branches are located in middle-income geographies. The Shirley branch is located in a low-income geography; the Pepperell branch is located in a moderate-income geography; and the Groton branch is located in an upper-income geography. The geography in which the Devens branch is located has no income designation. Devens, formerly known as Fort Devens, served as the Army's New England Headquarters until it was closed in 1996. The area has been converted into a business park and is designated by the U.S. Census Bureau as comprised of portions of the towns of Ayer, Harvard, and Shirley.

As of June 30, 2011, the Bank reported total loans of \$233.5 million (69.9% of total assets). The Bank's primary lending focus has historically been residential real estate lending. However, commercial lending represented a similar portion, by number, of loans originated during the evaluation period. Table 1 provides a breakdown, by dollar volume and percentage, of the Bank's total loan portfolio.

Table 1 – Loan Distribution as of June 30, 2011		
Loans Secured by Real Estate	Dollar Volume \$(000s)	Percentage of Total Loans
1-4 Family Residential		
1st Mortgage	90,832	38.9
2nd Mortgage	3,194	1.4
Revolving Lines of Credit	17,245	7.4
Non-Farm Real Estate (Commercial)	74,305	31.8
Construction	9,612	4.1
Multi-Family (5 or more) Residential	4,504	1.9
Total Real Estate Loans	199,692	85.5
Commercial Loans	27,105	11.6
Auto Loans	304	0.1
Other Revolving Credit Plans	69	0.0
Agricultural Production and other Loans	4,422	1.9
Other Loans	84	0.1
Consumer Loans	1,776	0.8
Total Loans	233,452	100.0

Source: FFIEC Call Report June 30, 2011

NMSB has direct competition from several institutions within its assessment area, including Workers Credit Union, IC Credit Union, and Digital Credit Union, as well as representation from large national banking institutions and mortgage companies.

There are no apparent financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area. Based upon the Bank's asset size, product offerings, and branch network, its ability to help meet local credit needs remains strong.

Description of Assessment Area

The CRA requires the designation of one or more assessment area(s) within which a financial institution's record of helping to meet the needs of its community will be evaluated. The Bank has one designated assessment area that conforms to CRA requirements since it consists of whole geographies, does not arbitrarily exclude low- and moderate-income areas, does not extend beyond state boundaries, and does not reflect illegal discrimination. The Bank has not changed its assessment area since the previous CRA evaluation.

The Bank's assessment area encompasses the towns of Ayer, Groton, Harvard, Littleton, Lunenburg, Pepperell, Shirley, and Townsend. This also includes the area known as Devens, which consists of portions of the towns of Ayer, Harvard, and Shirley. Most towns are located within Middlesex County and the Cambridge-Newton-Framingham, MA Metropolitan Division (MD) #15764. Harvard and Lunenburg are located in Worcester County and the Worcester, MA Metropolitan Statistical Area (MSA) #49340. All assessment area towns are part of the larger Boston-Worcester-Manchester, MA-RI-NH Combined Statistical Area (CSA) #148.

Census Tract Income Levels

The analysis for the *Geographic Distribution* section of the Lending Test is based on the distribution of loans by income level of census tract, especially in those designated low- and moderate-income. Each census tract is assigned an income level based on the median family income ("MFI") of the tract as compared to the MFI established for the Metropolitan Statistical Area ("MSA") or MD in which the tract is located. The four income levels are defined as follows:

Low-Income: Less than 50 percent of MFI

Moderate-Income: At least 50 percent but less than 80 percent of MFI

Middle-Income: At Least 80 percent but less than 120 percent of MFI

Upper-Income: 120 percent or greater of MFI

The assessment area contains fourteen census tracts. There is one low-income tract in Shirley; one moderate-income tract in Pepperell; eight middle-income tracts; three upper-income tracts; and one census tract with no income designation. The census tract with no income designation is in Harvard, and is the site of the former Fort Devens Army base. The process of determining a governmental structure for this site is ongoing. Currently, there are very few housing units and residents in this geography.

According to 2000 US Census data, the population of the assessment area is 67,113. Of the total assessment area population, 0.1 percent reside in the low-income census tract, 6.4 percent reside in the moderate-income census tract, 64.9 percent in the middle-income census tracts, and 27.5 percent in the upper-income census tracts. The remaining 1.1 percent of the population resides in the census tract with no income designation. The 0.1 percent residing in the low-income census tract represents 70 individuals. Accordingly, there is likely minimal, if any, opportunity to lend within this geography.

Median Family Income Levels

The analysis under the *Borrower Characteristics* section of the Lending Test is partially based on the distribution of home mortgage loans to borrowers of different incomes. The analysis utilizes income from the 2000 US Census data for the Cambridge-Newton-Framingham, MA MD and Worcester, MA MSA that have been annually adjusted by the Department of Housing and Urban Development (HUD) for inflation and other economic events. Therefore, the estimated 2009, 2010, and 2011 MFI figures are \$97,100, \$98,700, and \$105,000, respectively, for the Cambridge-Newton-Framingham, MA MD and \$79,700, \$79,900 and \$82,500, respectively, in the Worcester, MA MSA.

The analysis of the Bank's home mortgage lending includes comparisons to the distribution of *families* by income level as well. Table 2 shows this distribution based on 2000 US Census data.

Table 2		
Number and Percentage of Families by Income Level		
Income Category	2000 Census	
	# of Families	% of Total Families
Low-Income	2,670	15.1
Moderate-Income	3,065	17.3
Middle-Income	4,454	25.2
Upper-Income	7,502	42.4
Total	17,691	100.0

Source: 2000 US Census Data

Housing Characteristics

According to 2000 US Census data, the assessment area contains 24,752 housing units, of which 18,722, or 75.6 percent, are owner-occupied, and 4,856, or 19.6 percent, are occupied rentals. The vacancy rate throughout the assessment area is 4.8 percent.

The median housing value was \$213,250 as of the 2000 US Census. However, more recent housing data obtained from *The Warren Group* reflects higher home values during the review period. Accordingly, the median home prices for assessment area municipalities ranged from a low of \$202,250 in Townsend to a high of \$479,500 in Lexington. Most towns experienced a slight decrease in home prices during the review period. However, the towns of Harvard, Littleton, and Lunenburg experienced home price increases throughout each year during the review period. While assessment area home prices are high in some towns, real estate values limit homeownership opportunities for low- and moderate-income individuals.

As previously mentioned, the assessment area contains only one low-income census tract and one moderate-income census tract. The low-income tract contains 42 housing units, 32 of which are rented mobile homes, according to the 2000 US Census. There are only 10 owner-occupied units. These housing characteristics inhibit the Bank from lending in this geography. There are 1,486 housing units in the moderate-income tract, 1,032 of which are owner-occupied. This represents only 5.5 percent of the assessment area's owner-occupied housing units, which somewhat limits the Bank's opportunity to lend in the moderate-income geography.

Business Demographic Data

According to Dun & Bradstreet (D&B) data, there were 4,879 non-farm businesses in the assessment area in 2010. The composition of non-farm businesses by census tract income level indicates that 0.1 percent of businesses are in the low-income tract; 4.5 percent are in the moderate-income tract; 63.0 percent are in the middle-income census tracts; and 30.0 are in the upper-income tracts. The remaining 2.4 percent are located in the census tract with no income designation. In terms of size, 80.4 percent of businesses had gross annual revenues of \$1.0 million or less, 4.9 percent had revenues greater than \$1.0 million, and 14.7 percent did not report gross annual revenue information.

Competition

The Bank faces competition from large national and regional banks, credit unions, community banks, and mortgage companies. Bank management indicated that credit unions are particularly active in the assessment area. For 2009, market share reports for home mortgage lending indicated a total of 220 financial institutions originated at least one home mortgage loan

within the Bank's assessment area. Of the 220 institutions, the Bank ranked third in market share. Of the top fifteen home mortgage loan originators, the majority are large mortgage companies, national or regional banks, and credit unions. These institutions account for 52.7 percent of the market share for the total assessment area. NMSB garnered 5.0 percent of the market share.

Community Contacts

As part of the evaluation process, third parties active in community affairs are contacted to assist in assessing the housing and general banking needs of the community. Relevant information obtained from such sources helps to determine whether local financial institutions are responsive to the credit and service needs of the communities and what further opportunities, if any, are available. For purposes of this evaluation, information provided by one such contact was referenced in preparing this evaluation. The contact indicated that unemployment and care for the elderly are the most pressing issues in the area, and only intensify the need for affordable housing. The contact stated that local financial institutions are very involved in fundraising for social service agencies. However, the contact noted that financial institutions could assist with lending programs focused on small or start-up businesses. Another suggestion was for local financial institutions to use their expertise to provide nonprofit organizations with technical assistance, increasing the effectiveness of local social service agencies.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The Lending Test considers the Bank's performance pursuant to the following criteria: Loan-to-Deposit (LTD) ratio; assessment area concentration; geographic distribution of loans; lending to borrowers of different incomes and businesses of different sizes; and the Bank's record of taking action in response to CRA complaints. Overall, the Bank's performance under the Lending Test is considered "Outstanding."

Loan-to-Deposit Ratio

NMSB's LTD ratio is reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and assessment area credit needs. The Bank's average net LTD ratio over the 14 quarters since the prior Division and FDIC CRA evaluation is 82.9 percent. As of June 30, 2011, the Bank's net LTD ratio was 84.9 percent.

Growth patterns of loan and deposits were also analyzed to assess the fluctuation in the net LTD ratios. Net loans generally declined during the review period until early 2010 but increased each quarter beginning in June 2010 through the remainder of the review period. Overall, net loans grew by 8.8 percent since the last evaluation. Total deposits decreased in 2008 and then increased through most of 2009 and 2010. Deposit growth leveled off in 2011. As a result, the net LTD ratio slightly increased during the review period from 82.3 percent to 84.9 percent.

The net LTD ratio was affected by the Bank's practice of selling residential real estate loans on the secondary market. According to Bank records, NMSB sold \$33.0 million in loans in 2009 and \$23.0 million in loans in 2010 to the secondary market.

The Bank's net LTD ratio was compared to the LTD ratio of two other locally-based, similarly situated depository institutions as of June 30, 2011. Table 3 presents this comparison:

Table 3 – Net Loan-To-Deposit Comparison		
Institution	Asset Size of as of June 30, 2011 \$(millions)	Net Loan-to-Deposit Ratio
North Middlesex Savings Bank	334.2	82.9%
Fidelity Co-operative Bank	518.9	93.6%
Clinton Savings Bank	486.1	97.8%

Source: FFIEC Call Report June 30, 2011

While NMSB's net LTD ratio is lower than the other institutions, consideration must be given to the Bank's practice of selling mortgage loans to the secondary market. Furthermore, the current net LTD ratios among these institutions are similar, as NMSB's ratio has trended upward while the other institutions' ratios have trended downward. Based on these factors the Bank's LTD ratio is considered reasonable.

Assessment Area Concentration

The Bank originated a majority of its home mortgage and small business loans within the assessment area during the review period. Table 4 details the Bank's HMDA-reportable and small business lending, by number and dollar volume, for the years 2009 and 2010.

Table 4 – Distribution of Loans Inside and Outside of the Assessment Area										
Loan Category or Type	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total #	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2009	167	71.7	66	28.3	233	32,506	66.8	16,173	33.2	48,679
2010	155	64.9	84	35.1	239	29,517	60.4	19,349	39.6	48,866
Subtotal	322	68.2	150	31.8	472	62,023	63.6	35,522	36.4	97,545
Small Business										
2009	175	68.4	81	31.6	256	15,351	68.3	7,120	31.7	22,471
2010	130	63.7	74	36.3	204	9,336	46.8	10,612	53.2	19,948
Subtotal	305	66.3	155	33.7	460	24,687	58.2	17,732	41.8	42,419
Total	627	67.3	305	32.7	932	86,710	62.0	53,254	38.0	139,964

Source: 2009 and 2010 HMDA Data, Bank records, and 2000 US Census data

Home Mortgage Lending

The Bank originated a majority of home mortgage loans within the assessment area. NMSB's HMDA LARs were reviewed to determine the extent of home mortgage loans extended within the Bank's assessment area. For calendar years 2009 and 2010, the Bank originated a total of 472 HMDA-reportable loans totaling approximately \$97.5 million. Of these, 322, or 68.2 percent, were originated inside the assessment area. By dollar amount, \$62.0 million, or 63.6 percent, were extended inside the assessment area. The table indicates a slight decrease in the percentage of loans within the assessment area from 2009 to 2010. The vast majority of the Bank's loan originations within the assessment area were refinances. Refinances represented 85.6 percent of area loans in 2009; and 77.4 percent of loans in 2010.

As noted previously, NMSB ranked third in market share out of the 220 HMDA-reporting lenders in the assessment area in 2009, capturing approximately 5.0 percent of the market share. Only two large national banks, Bank of America, N.A. and Wells Fargo Bank, N.A, ranked ahead of the Bank. NMSB was the highest ranked community bank in the assessment area for home mortgage lending. This information reflects favorably on the institution's rating under this criterion. Market rank data was not available for 2010 as of the date of the analysis.

A review of data for the first six months of 2011 revealed a decrease in the concentration of loans in the assessment area. The Bank made only 39.1 percent of loans by number and 41.0 percent of loans by dollar amount within the assessment area in 2011. This decrease is primarily attributed to the significant reduction in refinance loans. According to management, two primary factors contributed to this decreasing trend: One, weaker collateral values due to declining home prices, and two, the interest rate environment, as most homeowners refinanced in 2009 and 2010 to take advantage of historically low rates.

Furthermore, management stated that its current business strategy to grow the Bank contributed to the declining trend in the concentration of home mortgage originations inside the assessment area. Management asserted that opportunities to increase loan volume within the assessment area are limited. The Bank already has a strong market share based on its size and the level of competition. During the latter part of the review period, NMSB began utilizing

outside originators for the first time in order to proactively develop home mortgage loan activity. This strategy resulted in increased loan volume from towns just outside the Bank's assessment area, especially those with increasing home prices, such as Concord and Westford. The Bank also began purchasing mobile home loans in 2011. Given this is a niche product, a significant portion of these loans are made outside the assessment area based on demand from a wide range of communities.

While not shown in table format, analyses of the Bank's home mortgage lending inside and outside the assessment area by loan purpose were also conducted. In 2009, 41.0 percent of home purchase loans were made inside the assessment area by number, along with 77.3 percent of refinance loans, and 88.9 percent of home improvement loans. The Bank performed similarly in 2010, when 44.0 percent of home purchase loans by number, were made within the assessment area, as well as 69.8 percent of refinance loans, and 76.5 percent of home improvement loans.

Management stated that area competition is heaviest in the home purchase loan market, mostly due to strong referral relationships between real estate brokers and large mortgage companies or national banks. Market share reports confirm this assessment. While the Bank ranked sixth in the number of home purchase loans within the assessment area, the top five lenders were large national banks or mortgage companies, and represented a third of the market share.

Small Business Lending

The Bank's internal, small business loan origination data was analyzed to determine the extent of small business lending within the assessment area.

As shown in the Table 4, the Bank made 305, or 66.3 percent, of total small business loans inside the assessment area during 2009 and 2010. While not shown in Table 4, NMSB made 76, or 59.4 percent, of total small business loans inside the assessment area during the first six months of 2011. Despite a slightly declining trend, a majority of loans were originated inside the assessment area during each year. Management attributed the declining percentage to competition and decreased small business lending opportunities based on economic conditions. Also, changes in lending staff during the review period resulted in increased lending to businesses located just outside the assessment area.

By dollar amount, \$24.7 million, or 58.2 percent, were within the assessment area during 2009 and 2010. For the first six months of 2011, only 42.9 percent of loans by dollar amount were within the assessment area. The percentage by dollar amount also declined during the review period. Despite the overall lower concentration of small business loans by dollar amount, greater emphasis was placed on the Bank's performance based on number of originations.

Geographic Distribution

Overall, the geographic distribution of home mortgage and small business loans reflects excellent dispersion throughout the assessment area. The Bank's performance was noteworthy in making home mortgage loans in the assessment area's moderate-income census tract. Greater emphasis was placed on NMSB's home mortgage lending performance under this criterion due to the limited opportunities to make small business loans in the area's moderate-income geography. The following sections discuss the Bank's performance under this criterion with regard to each product line.

Home Mortgage Lending

The distribution of the Bank's home mortgage lending reflects excellent dispersion throughout the assessment area. NMSB's strong performance was based primarily on its lending within the area's moderate-income census tract. Table 5 presents the Bank's HMDA-reportable lending performance in 2009 and 2010, as well as the 2009 aggregate market data (exclusive of the Bank) and the percentage of owner-occupied housing units in each census tract income category. As noted in Table 5, there was no home mortgage lending activity by any institution within the low-income census tract. Therefore, no consideration is given to this geography under this criterion.

Table 5 – Distribution of Home Mortgage Loans by Income Category of the Census Tract						
Census Tract Income Level	% of Total Owner- Occupied Housing Units	2009 Aggregate Lending Data (% of #)	Bank 2009		Bank 2010	
		%	#	%	#	%
Low	0.1	0.0	0	0.0	0	0.0
Moderate	5.5	4.4	12	7.2	11	7.1
Middle	64.9	60.4	111	66.5	111	71.6
Upper	29.5	34.8	44	26.3	32	20.6
NA	0.0	0.4	0	0.0	1	0.7
Total	100.0	100.0	167	100.0	155	100.0

Source: 2009 and 2010 HMDA Data, 2000 US Census Data

In 2009, the Bank's lending within the moderate-income tract at 7.2 percent exceeds aggregate lending at 4.4 percent. The Bank's performance remained strong in 2010 with 7.1 percent of loans within the moderate-income census tract. NMSB's performance within this geography during 2009 and 2010 was also greater than the percentage of total owner-occupied housing units (5.5 percent). The Bank made 7.4 percent of home mortgage loans in the moderate-income tract in the first six months of 2011, maintaining a similar performance level throughout the review period.

Market rank reports further highlight the Bank's effectiveness in lending to the area's moderate-income geography. The Bank ranked 2nd out of 56 HMDA-reporting lenders that originated at least one mortgage loan in the assessment area's moderate-income geography in 2009. The only institution that originated more loans than NMSB was Bank of America, N.A. The Bank's market share in this tract was 8.0 percent, which is higher than its overall market share in the assessment area. Despite competitive market conditions, this information reveals that NMSB was the leading community bank in lending within the area's moderate-income census tract.

Small Business Lending

The geographic distribution of the Bank's small business loans reflects reasonable distribution throughout the assessment area.

Table 6 illustrates the Bank's small business lending activity in 2009 and 2010 by income level of census tract, as well as the breakdown of businesses.

Table 6 – Distribution of Small Business Loans by Income Category of the Census Tract

Census Tract Income Level	% of Businesses	Bank 2009				Bank 2010			
		Number of Loans		Loan Amount (000s)		Number of Loans		Loan Amount \$(000s)	
		#	%	\$	%	#	%	\$	%
Low	0.1	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	4.5	5	2.9	699	4.6	9	6.9	416	4.5
Middle	63.0	120	68.6	9,956	64.9	89	68.5	6,925	74.1
Upper	30.0	44	25.1	4,041	26.3	30	23.1	1,939	20.8
NA	2.4	6	3.4	655	4.2	2	1.5	56	0.6
Total	100.0	175	100.0	15,351	100.0	130	100.0	9,336	100.0

Source: 2009 and 2010 Institution Records, 2010 Business Geodemographic Data

The Bank's lending within the moderate-income census tract by number in 2009 (2.9 percent) is less than the percentage of businesses in the moderate-income census tract (4.5 percent). The Bank's percentage increased to 6.9 percent in 2010, as the Bank made 4 additional loans in the moderate-income tract. For the first 6 months of 2011, the Bank made 3.7 percent of its loans in the moderate-income tract. There were only a total of 221 non-farm businesses located in the moderate-income geography based on 2010 business demographic data, which suggests limited small business lending opportunities. Based on this information, the Bank's small business lending performance was reasonable.

Borrower Characteristics

Overall, the distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. The overall conclusion is based on the excellent distribution of home mortgage loans to low- and moderate-income individuals, and the Bank's excellent performance in lending to businesses with gross annual revenues under \$1 million. The following sections discuss the Bank's performance under this criterion with regard to each product line.

Home Mortgage Lending

The Bank's performance of home mortgage lending by borrower income level is excellent. The Bank's HMDA-reportable loans were analyzed to determine the distribution of lending by borrower income level. Borrower incomes for loans reported in 2009, 2010, and year-to-date 2011 were compared to the MFIs for the Cambridge-Newton-Framingham, MA MD and Worcester, MA MSA, as discussed previously under *Description of Assessment Area*.

Table 7 includes the categorization of loans the Bank originated within the assessment area in 2009 and 2010, by borrower income, as well as the distribution of families by income level, and the aggregate market data for 2009 (exclusive of NMSB).

Table 7 – Distribution of Home Mortgage Loans by Borrower Income							
Family Income Level	% Total Families	Aggregate Lending Data 2009		Bank 2009		Bank 2010	
		#	%	#	%	#	%
Low	15.1	212	6.7	14	8.4	17	11.0
Moderate	17.3	573	18.2	41	24.6	36	23.2
Middle	25.2	880	28.0	55	32.9	44	28.4
Upper	42.4	1,361	43.2	57	34.1	53	34.2
NA	0.0	123	3.9	0	0.0	5	3.2
Total	100.0	3,149	100.0	167	100.0	155	100.0

Source: 2000 U.S. Census, 2009 and 2010 HMDA LAR, 2009 HMDA Aggregate Data

The Bank originated 8.4 percent and 11.0 percent of its loans to low-income borrowers in 2009 and 2010, respectively. The Bank's percentage in 2009 was above the aggregate's 6.7 percent. Although the Bank's percentage of loans to low-income borrowers was lower than the 15.1 percent of low-income families in the assessment area, a significant portion of these families would not qualify for a home mortgage loan due to insufficient income. The Bank's performance continued to improve in the first six months of 2011, with 22.2 percent of home mortgage loans made to low-income borrowers. The increase in low-income lending throughout the review period reflected positively on the institution's rating.

The Bank originated 24.6 percent and 23.2 percent of its loans to moderate-income borrowers in 2009 and 2010, respectively. The Bank's percentage in 2009 was well above the aggregate's 18.2 percent. The Bank's lending to moderate-income borrowers in 2009 and 2010 was also greater than the percentage of moderate-income families (17.3 percent) in the assessment area. NMSB's performance remained strong with 22.2 percent of home mortgage loans made to moderate-income borrowers in the first six months of 2011. The Bank's performance is noteworthy considering the relatively high home prices in the assessment area.

The 2009 market rank reports indicated the Bank ranked fourth out of 64 lenders in lending to low-income borrowers, with a market share of 6.2 percent. NMSB's market share among loans to low-income borrowers was greater than its overall market share of 5.0 percent in 2009. Additionally, the Bank ranked 3rd out of 115 institutions in lending to moderate-income borrowers, with a market share of 6.7 percent. Again, this market share exceeded the Bank's overall market share in the assessment area, and reflected positively on the institution's rating. This data indicated that NMSB is a leading institution in lending to low- and moderate-income borrowers within the assessment area.

Small Business Lending

The distribution of the Bank's small business loans by gross annual revenues and loan size is excellent.

Table 8 illustrates the number and dollar volume of the Bank's small business loans, and the percentage of total businesses in the assessment area, by level of gross annual revenues (GARs).

Table 8 – Distribution of Small Business Loans by Gross Annual Revenues of Business									
GAR \$(000s)	% of Total Businesses	Bank 2009				Bank 2010			
		Number of Loans		Loan Amount \$(000s)		Number of Loans		Loan Amount \$(000s)	
	%	#	%	\$	%	#	%	\$	%
≤ \$1,000	80.4	130	74.3	9,237	60.2	112	86.2	6,168	66.1
> \$1,000 or N/A	19.6	45	25.7	6,114	39.8	18	13.8	3,168	33.9
Total	100.0	175	100.0	15,351	100.0	130	100.0	9,336	100.0

Source: 2009 and 2010 Institution Records, 2010 Business Demographic Data

In 2009, the Bank extended 130, or 74.3 percent of its small business loans inside the assessment area to businesses with GARs of \$1 million or less. This performance is similar to the percentage of total businesses within the assessment area with GARs of \$1 million or less (80.4 percent). The Bank's performance improved significantly in 2010 with 112, or 86.2 percent of its small business loans made to businesses with GARs of \$1 million or less, and again exceeded the percentage of total businesses in this category. NMSB originated a majority of its small business loans to businesses with GARs of \$1 million or less. The Bank's performance during the first six months of 2011 was comparable to 2009 and 2010.

The small business loans originated within the Bank's assessment area were further analyzed to determine the typical loan amount at origination. This analysis is based on the supposition that loans of smaller amounts are most likely made to very small businesses. Thus, it is viewed favorably when banks have a high percentage of loans made in amounts of less than \$100,000.

Table 9 illustrates the Bank's small businesses loans by loan amount.

Table 9 – Distribution of Small Business Loans by Loan Size								
Loan Amount (000s)	Bank 2009				Bank 2010			
	#	%	\$	%	#	%	\$	%
< \$100	132	75.5	4,087	26.6	109	83.8	3,324	35.6
≥\$100 < \$250	23	13.1	3,148	20.5	11	8.5	1,337	14.3
≥\$250 ≤ \$1,000	20	11.4	8,116	52.9	10	7.7	4,675	50.1
Total	175	100.0	15,351	100.0	130	100.0	9,336	100.0

Source: 2009 and 2010 Institution Records

As Table 9 indicates, 75.5 percent and 83.8 percent of the Bank's small business loans extended within the assessment area in 2009 and 2010, respectively, were for amounts less than \$100,000. These high percentages demonstrate the Bank's strong commitment to meeting the credit needs of small businesses in the assessment area. Additionally, the Bank applied for, and recently received, \$5 million in deposits from the Massachusetts State Treasury in an effort to bolster their local, small business lending. The Bank's record of extending small loans to businesses reflects excellent performance in meeting the credit needs of small businesses in the Bank's assessment area.

Response to CRA Complaints

During the evaluation period, the Bank received no CRA-related complaints. It was noted that the Bank maintains adequate procedures to handle all incoming complaints, including those relating to its CRA performance.

COMMUNITY DEVELOPMENT TEST

The Community Development Test evaluates the Bank's community development loans, investments, and services. Unless otherwise noted, for purposes of this evaluation, the period used for the Community Development Test is January 16, 2008 through September 6, 2011. The Bank's performance is provided an overall "High Satisfactory" rating by the Division under this test. A "Satisfactory" rating is assigned by the FDIC as the FDIC's rating matrix for this test does not include a "High Satisfactory" rating option.

The Bank's community development performance demonstrates good responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

Community Development Loans

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose; (2) has not already been reported by the Bank for consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan); and (3) benefits the Bank's assessment area or a broader statewide or regional area that includes the Bank's assessment area

The Bank's community development lending activity demonstrates good responsiveness to the credit needs within the assessment area. A review of the Bank's lending activity revealed that it originated 8 qualified loans during the review period totaling \$5.1 million.

In 2008, three loans were originated for a qualified amount of \$848,750. Two of the loans involved \$1.6 million in funds for the construction of a 12-unit, elderly housing project in Littleton, MA. As a 40B project, 3 of the 12 units were designated as affordable housing, resulting in \$398,750 in CRA qualified credit. The remaining qualified loan was a \$450,000 construction loan to improve an elderly residential community in Pepperell, MA. The community, a mobile home park, consists primarily of low- and moderate-income residents.

In 2010, two loans were originated for a qualified amount of \$172,488. The full loan amount of 689,953 was for the construction and sale of a 12 unit 40b housing development, of which 3 units were designated affordable housing.

In 2011, 3 loans were originated for a total qualified amount of \$4.0 million. The Bank renewed the two loans that it originated in 2008 as described above, for the purchase and construction of a 40B housing development. The CRA-qualified portion of the loan renewals amounted to \$240,703. The other loan was for the development of a 42-unit, affordable, Senior Rental Housing complex for \$3.8 million. The Bank obtained the USDA lender certification in order to complete the loan origination with a USDA-guaranteed loan program, 90 percent credit enhancement. According to the USDA, the purpose of the guaranteed loan program is achieved by bolstering the existing private credit structure, through the guarantee of quality loans, which will provide lasting community benefits.

The number and dollar amount of the Bank's community development lending increased since the previous evaluation. At the previous CRA examination, the Bank received community development lending consideration for 7 qualified, community development loans totaling \$4.8 million. The increase in community development lending, despite weak economic conditions and limited development activity within the assessment area during the review period, is notable.

Community Development Investments

A qualified investment for the purposes of this evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity, (2) the responsiveness to credit and community development needs, and (3) community development initiatives.

The combination of the Bank's qualified equity investments and charitable donations demonstrates adequate responsiveness to the needs within the assessment area. Total qualified investments for this evaluation period amounted to \$518,333, accounting for 0.7 percent of the total investments of the Bank. This figure includes investments and donations made to qualified organizations during the time period of the examination. The following items describe the Bank's qualified investments during the evaluation period.

Qualified Equity Investments

Two equity investments were established in 2010 on behalf of the Senior Housing Crime Prevention Foundation (Foundation). The Foundation established a nationwide "Senior Crimestoppers" program on behalf of the low- and moderate-income residents of nursing homes, providing resources to support vulnerable residents from theft, abuse, or any other form of crime. Such resources include personal lockboxes for residents, anonymously-paid cash rewards for information regarding any wrongdoing, and training for staff and residents. The Bank purchased two \$250,000 investments in the program.

Qualified Charitable Donations

The Bank made four qualified donations totaling \$18,333 during the current evaluation period. These totals are a negligible portion of the Bank's pre-tax net operating income for the respective time periods. All qualified donations made by the Bank were in support of organizations whose primary purpose is to provide support services to low- and moderate-income individuals and families.

The primary recipients of the qualified grants included the following entities.

Loaves & Fishes

Loaves & Fishes is a non-profit, food pantry serving six Massachusetts towns including Ayer, Groton, Harvard, Littleton, and Shirley. This organization particularly provides food for the area's low- and moderate-income individuals. The Bank committed to a grant to this local food pantry to be delivered over three years. The Bank made one disbursement of \$3,333.33 during this time period.

Indian Hill Music School Music Partnership

A program designed to supplement the music education for low-and moderate-income families. The Bank provided disbursements of \$5,000 each in 2008, 2009 and 2010.

Community Development Services

The CRA regulation defines a community development service as a service that is primarily for a community development purpose and is related to the provision of financial services. The Bank's officers and employees are primarily involved with community organizations that address the economic development and social service needs of its assessment area. Through their involvement, the Bank's staff lends its technical expertise, experience, and judgment to these organizations. Based on the Bank's level of involvement in such activities, the Bank demonstrated an adequate responsiveness to the community. The following items describe qualified Bank activities that benefited the community during the evaluation period.

Devens Enterprise Commission and the Devens Disposition Executive Board

As discussed previously, the Bank's assessment area contains the former military base Fort Devens. The Devens Enterprise Commission and Devens Disposition Executive Board is a regulatory and permit-granting authority for the Devens Development Project. It is empowered to act as a local planning board, with the primary goal to develop and revitalize the Devens Enterprise Zone into an area conducive to an array of businesses, including small or start-up corporations. The Bank's President and CEO is the Chairman of this endeavor.

Loaves & Fishes Food Pantry

As noted previously, this organization is a non-profit, food pantry serving six Massachusetts towns including Ayer, Groton, Harvard, Littleton, and Shirley. In addition to food, the pantry also provides seasonal clothing as well as limited social counseling to assist clients in pursuing other social service resources, such as jobs or housing. A member of the Bank's Board of Trustees also serves as a Trustee of this organization.

United Way of North Central Massachusetts

The United Way of North Central Massachusetts is an independent, non-profit corporation dedicated to improving lives and building stronger communities. The organization serves as a front line response to meet basic needs of food, clothing, and shelter for low- and moderate-income individuals and families in crisis. A Corporator of the Bank serves on the Board of Directors of this organization.

North Central Massachusetts Economic Development Council (Council)

The mission of the Council is to provide support for small businesses throughout the area through counseling and various forms of financing. A Bank Vice President has been involved with this organization since January 2009 as a director, and as a member of the loan committee.

Additionally, through 2011, The Bank participated in the monthly First-Time Homebuyer courses through the North Central Massachusetts Neighborworks Homeownership Center. The seminars include numerous home buying services, from the application process through the loan closing, and upkeep and maintenance of the home.

APPENDIX A
DIVISION OF BANKS
Fair Lending Policies and Practices

The Bank's compliance with fair lending laws and regulations was examined. No indication of discriminatory or other illegal credit practices inconsistent with helping to meet community and assessment area credit needs were identified during the evaluation. Therefore, no evidence of disparate treatment or impact was revealed.

The Bank did not receive any complaints relative to fair lending issues; however, adequate procedures are in place for handling such items. Overall, the institution's fair lending policies, procedures, training programs, and internal assessment efforts were deemed satisfactory.

Minority Application Flow

The purpose of the minority application flow is to assess the number of HMDA-reportable applications the Bank received from minorities within their delineated assessment area. The data analyzed was obtained from the Bank's HMDA LAR for 2009 and 2010. In addition, the 2009 HMDA LAR aggregate data was analyzed in order to measure the Bank's performance relative to all other lenders within the assessment area. The Bank's minority application flow for this period was also compared with the racial and ethnic population of the assessment area. The comparison of this data assists in deriving reasonable expectations for the institution's minority application flow.

MINORITY APPLICATION FLOW								
RACE	Bank 2009		2009 Aggregate Data		Bank 2010		Bank TOTAL	
	#	%	#	%	#	%	#	%
<i>American Indian/ Alaska Native</i>	0	0.0	7	0.1	1	0.5	1	0.3
<i>Asian</i>	1	0.5	153	2.5	0	0.0	3	0.8
<i>Black/ African American</i>	0	0.0	27	0.4	3	1.6	1	0.3
<i>Hawaiian/Pac Isl.</i>	0	0.0	3	0.1	0	0.0	0	0.0
<i>2 or more Minority</i>	0	0.0	2	0.0	0	0.0	0	0.0
<i>Joint Race (White/Minority)</i>	1	0.5	82	1.3	3	1.6	4	1.0
Total Minority	2	1.1	274	4.4	7	3.6	9	2.3
<i>White</i>	184	96.8	4,576	73.5	168	86.6	352	91.7
<i>Race Not Available</i>	4	2.1	1,376	22.1	19	9.8	23	6.0
Total	190	100.0	6,226	100.0	194	100.0	384	100.0
ETHNICITY								
<i>Hispanic or Latino</i>	2	1.1	54	0.9	0	0.0	2	0.5
<i>Not Hispanic or Latino</i>	182	95.8	4,723	75.9	177	91.2	359	93.5
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	1	0.5	57	0.9	1	0.5	2	0.5
<i>Ethnicity Not Available</i>	5	2.6	1,392	22.3	16	8.3	21	5.5
Total	190	100.0	6,226	100.0	194	100.0	384	100.0

Source: US Census, HMDA LAR, HMDA Aggregate Data

The Bank's minority application flow for this period was compared with the racial and ethnic composition of the assessment area, and the 2009 aggregate data for all other HMDA reporters within the assessment area. According to 2000 Census Data, the Bank's assessment area contained a total population of 67,113 individuals, 7.1 percent of which is representative of various racial and ethnic minorities. The breakout of the assessment areas minority population is as follows: 2.5 percent Hispanic, 1.9 percent Black, 1.3 percent Asian, 0.2 percent American Indian/ Alaska Native and 1.2 percent "other race".

The percentage of applications the Bank received from minority individuals was below the minority composition of the assessment area for both years, and below the aggregate level of loan applications in 2009. However, from 2009 to 2010, the Bank increased its proportion of minority applications from 1.1 to 3.6 percent. Regarding ethnicity, the Bank's 2009 performance is comparable to aggregate applications, yet there was a decrease from 2009 to 2010. Overall, the level of minority applications is considered reasonable.

APPENDIX B

General Definitions

GEOGRAPHY TERMS

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 661 Main Street, Winchester, MA 01890."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.